GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3805
ANSWERED ON:24.03.2017
Merchant Discount Rate
Arunmozhithevan Shri A.;Subbareddy Shri Yerram Venkata

Will the Minister of FINANCE be pleased to state:

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
LOK SABHA
UNSTARRED QUESTION NO. 3805
TO BE ANSWERED ON 24th MARCH, 2017/ CHAITRA 3, 1939 (SAKA)
MERCHANT DISCOUNT RATE
QUESTION
3805: SHRI A. ARUNMOZHITHEVAN:
SHRI Y.V. SUBBA REDDY:
Will the Minister of FINANCE be pleased to state:
(a) the details of the directive issued by the Government to digital payment companies to abolish card fees;
(b) whether the Committee of Chief Ministers also recommended abolishing/capping of Merchant Discount Rate for digital payments made;
(c) if so, the details thereof and the reasons that digital payment companies are adamant to abolish card fees;
(d) the efforts being made by the Government to persuade above companies to accept the recommendation for promotion of digital payments; and
(e) whether the RBI has issued a draft circular where it classified merchants with small and other categories with levy of 0.95 per cent of the transaction size permitted and if so, the details thereof?

Answer

ANSWER
MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)
(a) to (d) Pursuant to the Government Initiative to promote digital payments, a Committee of Chief Ministers on digital payments was constituted in NITI Aayog on 30th November 2016 which submitted its interim report to Hon'ble Prime Minister on 24th January 2017. The committee made the following recommendations on Merchant Discount Rate (MDR):
* AEPS/ Aadhaar Pay to be promoted by providing incentives to small merchants for scaling digital payments acceptance network and no MDR to be charged for AEPS enabled merchants.
* A detailed review of MDR regime should be undertaken. The Committee has already forwarded its recommendations on the subject to RBI. The new regime should consider change in technology, business models of payment service providers & anticipated increase in digital transactions.
* Small merchants below a given threshold of transaction volume/value (turnover up to Rs. 2 lakh per month), should be permitted to self-board on UPI/ AEPS modes and accept payments without any MDR
* In order to facilitate wider acceptance of card payments, the following special measures for debit card transactions (including for payments made to Government), were introduced for a temporary period between January 1, 2017 and March 31, 2017 ;
i. For transactions upto ? 1000/-, MDR has been capped at 0.25% of the transaction value.

-2-
ii. For transactions above ? 1000/- and upto ? 2000/-, MDR has been capped at 0.5% of the transaction value.
(e) Reserve Bank of India has placed on its website a Draft Circular on Rationalization of Merchant Discount Rate (MDR) for Debit Card Transactions and sought public feedback on the draft circular.
To encourage a wider segments of merchants to accept card payments, consultations were held with stakeholders for rationalizing the MDR Structure for debit card transactions. This draft circular seeks a shift from present slab-rate MDR based on transaction value to merchant turn over based MDR structure for merchants have been suitably categorized. A differential MDR structure for asset light card acceptance infrastructure like QR Code, Special Merchant Categories foe government transactions and other transactions involving non- discretionary expenses have also been proposed. The feedbacks are being compiled , analysed for finalisation of the MDR structure by RBI.

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